

EXHIBIT 1

INTRODUCTION

Respondent David G. Kelley is a member of the California State Assembly, representing the 80th Assembly District. Respondent Kelley Assembly Campaign Committee 2002 (the “Committee”) is the controlled committee of Respondent Kelley. Respondent James W. Trimble is the treasurer of Respondent Committee. This matter arose from an audit conducted by the Franchise Tax Board for the period January 1, 1999 through December 31, 2000.

The Political Reform Act (the “Act”)¹ requires candidates and committees to report on campaign statements specified information about their campaign expenditures, including information about expenditures made to sub-vendors. In this matter, Respondents failed to report payments to sub-vendors for broadcast advertising totaling approximately \$214,370.

For the purposes of this Stipulation, Respondents’ violation is stated as follows:

Respondents failed to report required information regarding \$214,370 in payments made to Multi-Media Services Corporation and the Justin Company on campaign statements filed on or about February 24, 2000, July 31, 2000, October 26, 2000, and January 31, 2001, in violation of Government Code section 84303.

SUMMARY OF THE LAW

An express purpose of the Act, as set forth in Section 81002, subdivision (a), is to ensure that receipts and expenditures in election campaigns are fully and truthfully disclosed, so that voters may be fully informed, and improper practices may be inhibited. In furtherance of this purpose of disclosure, the Act requires candidates and their controlled committees to file various campaign statements, disclosing the contributions that they have received and the expenditures that they have made.

Duty to Report Expenditures and Sub-vendor Payments

Section 84211, subdivision (k) requires the disclosure of specific information for all expenditures of \$100 or more made during the period covered by a campaign statement, including the name and street address of the person to whom the expenditure was made, the amount of the expenditure, and a brief description of the consideration that was received for the expenditure.

¹ The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code unless otherwise indicated. The regulations of the Fair Political Practices Commission appear at California Code of Regulations, title 2, section 18109 through 18996. All regulatory references are to Title 2 of the California Code of Regulations.

At all relevant times, Section 84303 provided that no expenditure shall be made, other than overhead and normal operating expenses, by an agent or independent contractor, including but not limited to an advertising agency, on behalf of, or for the benefit of, any candidate or committee, unless it is reported by the candidate or committee as if the expenditure were made directly by the committee. Persons to whom expenditures are made by an agent or independent contractor on behalf of a candidate or committee in exchange for consideration are commonly referred to as “sub-vendors.”

Treasurer Liability

Under Section 84100 and Regulation 18427, subdivision (a), it is the duty of a committee’s treasurer to ensure that all requirements of the Act concerning the receipt and expenditure of funds, and the reporting of such funds, are complied with. A committee’s treasurer may be held jointly and severally liable, along with the committee, for any reporting violations committed by the committee. (Sections 83116.5 and 91006.)

SUMMARY OF THE FACTS

Respondent David G. Kelley is a member of the California State Assembly, representing the 80th Assembly District, having served in the Legislature since 1978 as both an assembly member and a senator. Respondent Kelley Assembly Campaign Committee 2002 is the controlled committee of Respondent Kelley. Respondent James W. Trimble is the treasurer of Respondent Committee. As a candidate for the California State Assembly in the March 7, 2000 primary election, and the November 7, 2000 general election, Respondent Kelley received approximately \$544,527 in campaign funds, and made campaign expenditures totaling approximately \$487,756.

Respondents had a duty to report required information regarding payments made to sub-vendors by third parties on behalf of Respondent Committee. During the calendar year 2000, Respondents failed to report payments totaling \$214,370 made on their behalf by The Justin Company and Multi-Media Service to various radio and television stations for broadcast advertising. Respondent’s campaign statements should have reflected the following information:

Reporting Period	Vendor(s)	Sub-vendor(s)	Amount
01/23/00-02/19/00 (Pre-election)	Multi-Media Service; The Justin Company	radio/television stations	44,419
2/20/00-06/30/00 (Post-election)	Multi-Media Service	radio/television stations	59,052
10/01/00-10/21/00 (Pre-election)	Multi-Media Service	radio/television stations	28,463
10/22/00-12/31/00 (Post-election)	Multi-Media Service	radio/television stations	82,436
Total			\$214,370

By failing to report sub-vendor information for the foregoing payments totaling \$214,370, Respondents violated Section 84303.

CONCLUSION

Respondents were negligent in failing to report required information regarding payments made to sub-vendors totaling \$214,370. Upon notification of their omission by the Franchise Tax Board during a routine audit, Respondents amended their campaign statements on April 19, 2001 to reflect the sub-vendor payments. Respondents do not have any prior history of enforcement action being taken against them by the Fair Political Practices Commission.

This matter consists of one count, which carries a maximum administrative penalty of Two Thousand Dollars (\$2,000). A typical stipulated penalty in a sub-vendor case has historically ranged from \$1,500 to \$2,000 per violation, depending upon the total dollar amount not reported, and whether the information should have been reported on a pre-election or post-election campaign statement. The total dollar amount not reported in this case is a relatively small amount, a significant part of which Respondents should have reported on post-election campaign statements. Accordingly, the facts of this case justify imposition of the agreed upon penalty of One Thousand Five Hundred Dollars (\$1,500).